

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Roscommon Mini-Bus System</b>	County <b>Roscommon</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>2/23/05</b>	Date Accountant Report Submitted to State: <b>3/10/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson &amp; Decker, P.C.</b>				
Street Address <b>P.O. Box 746</b>	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=Anderson & Decker, PC, email=jma@m33access.com Date: 2005.03.10 14:19:42 -05'00'	City <b>Roscommon</b>	State <b>MI</b>	ZIP <b>48653</b>
Accountant Signature 	Date <b>3/10/05</b>			

**ROSCOMMON MINI-BUS SYSTEM  
AUDIT REPORT  
SEPTEMBER 30, 2004**

## ROSCOMMON MINI-BUS SYSTEM

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# Anderson & Decker, P.C.

## **CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

### **INDEPENDENT AUDITORS' REPORT**

February 23, 2005

Board of Commissioners  
Roscommon County  
Roscommon, Michigan 48653

We have audited the basic financial statements of the Roscommon Mini-Bus System, an Enterprise Fund of Roscommon County, as of and for the year ended September 30, 2004, as listed in the table of contents. These statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of The United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Roscommon Mini-Bus System and do not purport to, and do not, present fairly the financial position of Roscommon County, Michigan, as of September 30, 2004, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roscommon Mini-Bus System, as of September 30, 2004, and the results of its operations and changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page 2  
Board of Commissioners  
Roscommon County  
February 23, 2005

In accordance with Government Auditing Standards, we have also issued a report dated February 23, 2005, on our consideration of the Roscommon Mini-Bus System internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Roscommon Mini-Bus System basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Roscommon Mini-Bus System. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in cursive script, appearing to read "J. Anderson", followed by a stylized flourish or mark.

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

ROSCOMMON MINI-BUS SYSTEM  
MANAGEMENTS'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2004

The Roscommon County Board of Commissioners over the Roscommon County Mini Bus System & Interested Members of the Public:

This report should serve as an overview and analysis of issues associated with operations conducted by the Roscommon County Mini Bus System, for the fiscal year ended September 30, 2004, and is presented in conjunction with , and considered part of, the system's Annual Compliance Audit prepared by Anderson & Decker, P.C., Certified Public Accountants.

**Overview**

The financial position of Roscommon County Mini Bus System remains stable as reported in the annual audit ending fiscal year September 30, 2004. There were no OSHA personal injury loss of work claims to report and there were no major vehicular accidents. The system is not involved in any litigation at this time and is not aware of any litigation pending. Our staffing level has remained consistent with that of the system's ridership and the capital assets are routinely upgraded and or repaired thereby insuring the value of the capital assets as reported in the annual audit.

**Financial Status**

The Roscommon County Mini Bus System is financially stable as of the audit dated September 30, 2004. In the event State and Federal funding were to cease Roscommon County Mini Bus System could continue operations for approximately 6 (six) months with the ability to shutdown the program in a responsible manner without leaving any unmet financial obligations of the transportation program.

However Roscommon County Mini Bus System has experienced a significant reduction in State Operating Revenue down from 47.55% in 2000 to the current funding levels of 38.43% in 2004. Future reductions are possible and if this trend continues it could have a significant impact on the financial status of Roscommon County Mini Bus System. In addition to the revenue reductions if the double digit increases in the employer provided health care and high fuel costs continue at the current rates this will also have a negative impact on the financial stability of the transportation program currently being provided to Roscommon County residents.

Roscommon County residents, elected officials, and the Roscommon County Mini Bus System must resolve to engage in some strong lobbying of our State and Federal legislators convincing them to prevent further funding reductions to a program which is so greatly needed by the residents of our county.

Judy Devine  
Executive Director

ROSCOMMON MINI-BUS SYSTEM  
ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

ASSETS

Current

Cash and investments	\$ 1,395,745
Accounts receivable	6,064
Interest receivable	2,163
Due from governmental units	<u>135,169</u>

Total Current Assets 1,539,141

Property and Equipment, less accumulated depreciation 807,925

Total Assets 2,347,066

LIABILITIES

Current Liabilities

Accounts payable	42,440
Accrued payroll	36,599
Due to other funds	19,659
Due to other governmental units	<u>120,610</u>

Total Current Liabilities 219,308

Noncurrent Liabilities

Accrued compensated absences 61,648

Total Liabilities 61,648

NET ASSETS

Contributed capital 193,945

Undesignated 1,872,165

Total Net Assets \$ 2,066,110

The accompanying notes are an integral part  
of the financial statements.

ROSCOMMON MINI-BUS SYSTEM  
ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2004

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 183,746
Total operating revenues	<u>183,746</u>
Operating Expenses	
Salaries and wages	679,712
Fringe benefits	311,164
Materials and supplies	209,754
Utilities	27,587
Casualty and liability insurance	19,659
Miscellaneous	82,587
Depreciation	<u>254,402</u>
Total operating expenses	<u>1,584,865</u>
Operating income (loss)	<u>(1,401,119)</u>
Non-operating Revenues (expenses)	
Property taxes	498,070
Federal	153,151
State	602,500
State and Federal capital grants	10,000
County	28,709
Interest/investment income	14,025
Loss on sale of fixed assets	<u>(1,583)</u>
Total non-operating revenues	<u>1,304,872</u>
Change in Net Assets	(96,247)
Net Assets - October 1, 2003	<u>2,162,357</u>
Net Assets - September 30, 2004	<u><u>\$ 2,066,110</u></u>

The accompanying notes are an integral part  
of the financial statements.



ROSCOMMON MINI-BUS SYSTEM  
ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (96,247)
Adjustments to reconcile net income to net	
Cash flows from operating activities:	
Depreciation	254,402
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	2,684
Decrease (increase) in due from governmental units	29,630
Decrease (increase) in interest receivable	(1,195)
Increase (decrease) in accounts payable	19,043
Increase (decrease) in due to other funds	(158,391)
Increase (decrease) in accrued expenses	9,798
Increase (decrease) in due to other governmental units	(53,912)
Increase (decrease) in compensated absences	<u>(719)</u>

Net Cash Provided From (Used For) Operating Activities	<u>5,093</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Disposed of property and equipment	4,583
Acquisitions of property and equipment	<u>(151,187)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(141,511)
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Cash and Cash Equivalents at October 1, 2003	<u>1,537,256</u>
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Cash and Cash Equivalents at September 30, 2004	<u><u>\$1,395,745</u></u>
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The accompanying notes are an integral part  
of the financial statements

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Roscommon Mini-Bus System is an Enterprise Fund of Roscommon County. It provides transportation services to the residents of the County.

The Public Transit is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. This financial report has been prepared to meet this state requirement.

In compliance with GASB Statement 14, these financial statements are included in the County's (oversight unit) General Purpose Financial Statements as an Enterprise Fund.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roscommon Mini-Bus System conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Roscommon Mini-Bus System. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories of replacement parts are not maintained and fuel is expensed when purchased. Office supplies are not included in inventories.

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Roscommon County's Trust and Agency Fund. The Transit subsequently receives its portion of the levy from this fund.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Balance 10/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/04</u>
Building and Improvements	\$ 742,331	\$ 63,575	\$ -0-	\$ 805,906
Vehicles	1,112,158	-0-	22,000	1,090,158
Shop Equipment	69,331	37,565	-0-	106,896
Office Equipment	183,540	50,047	-0-	233,587
Totals	<u>\$ 2,107,360</u>	<u>\$ 151,187</u>	<u>\$ 22,000</u>	\$ 2,236,547
Accumulated Depreciation	<u>\$ 1,191,637</u>	<u>\$ 254,402</u>	<u>\$ 17,417</u>	1,428,622
Net Property and Equipment				<u>\$ 807,925</u>

Depreciation expense for fiscal year ending September 30, 2004 was \$254,402.

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE E - PENSION PLAN

Several public transit employees participate in the overall general Roscommon County retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

Roscommon County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement Systems (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a): MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with Roscommon County's competitive bargaining unit and personnel policy, which requires employees to contribute 0 to 4.0 percent of their wages to the plan. Roscommon County is required to contribute at an actuarially determined rate; the current rate was 11.72 percent at December 31, 2003.

Annual Pension Cost

During the fiscal year ended December 31, 2003, Roscommon County's contributions totaling \$491,688 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE E - PENSION PLAN (CONTINUED)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 392,232	100%	\$ -0-
2002	461,441	100%	-0-
2003	491,688	100%	-0-

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2001	\$ 9,185,772	\$ 10,369,516	\$ 1,183,744	89%	\$ 3,841,178	31%
2002	9,558,529	11,468,681	1,910,152	83%	4,234,930	45%
2003	10,495,937	12,346,516	1,850,579	85%	4,519,090	41%

NOTE F - COMPENSATED ABSENCES

The current portion of compensated absences benefits are recorded as expenditures. Employees are eligible to receive  $\frac{1}{2}$  of sick pay benefits and 100% of vacation pay benefits accrued at year-end.  
financial statements.

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE G - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$1,395,745	Savings Account	\$ 975,888
		Investments	419,857
Total	<u>\$1,395,745</u>		<u>\$1,395,745</u>

Deposits - At year end, the carrying amount of the Transit's deposits was \$ 975,888 and the bank balance was \$975,888. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, approximately 10% of the total bank balance was covered by federal depository insurance.

Investments - Act 217, PA 1982, authorizes the County Treasurer to deposit and invest in the following for the Mini-Bus System:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE G - CASH AND INVESTMENTS (CONTINUED)

The System's investments are categorized below to give an indication of the level of risk assumed by the System at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County Treasurer an agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>amount</u>	<u>Value</u>
Commercial Paper	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>419,857</u>	\$ <u>419,857</u>	\$ <u>422,020</u>
Total Categorized Investments	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>419,857</u></u>	\$ <u><u>419,857</u></u>	\$ <u><u>422,020</u></u>

NOTE H - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$144,083.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2004 \$10,000 of State/Federal Capital Grants were recorded as revenue.

ROSCOMMON MINI-BUS SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2004

NOTE I - CAPITAL GRANTS

The Transit has contracted with federal and state agencies for grant funds to purchase facilities and equipment. All of the monies that the Transit is now eligible to receive have not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2004, \$303,375 is still available to the Transit under those grants.

NOTE J - RISK MANAGEMENT

The Roscommon Mini-Bus System is included in the insurance program for Roscommon County. The County is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the County is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 12,390,830	\$ 250
Liability	5,000,000	500
Judicial Tenure Defense	100,000	-0-
Vehicle Physical Damage	1,500,000	250
Personal Property	1,000,000	250
Other Personal Property	350,000	250
Blanket Fidelity & Faithful Performance	20,000	-0-
Money & Securities	10,000	-0-

The County is also a member of the Michigan Counties Worker's Compensation Fund. The County has a workers compensation liability coverage of \$500,000.



## **SUPPLEMENTAL INFORMATION**

**SCHEDULE 1**

ROSCOMMON MINI-BUS SYSTEM  
OPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2004

## Operating Revenues

Demand-response (farebox)	\$ <u>183,746</u>
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Total Operating Revenues	\$ <u><u>183,746</u></u>
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# SCHEDULE 2

## ROSCOMMON MINI-BUS SYSTEM OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 396,057	\$ -0-	\$ -0-	\$ 396,057
Other salaries and wages	83,819	95,904	103,932	283,655
Fringe Benefits	213,838	44,789	52,537	311,164
Materials and Supplies Consumed				
Fuel and lubricants	98,927	-0-	-0-	98,927
Tires	-0-	7,221	-0-	7,221
Other materials and supplies	12,357	79,340	11,909	103,606
Utilities	-0-	-0-	27,587	27,587
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	18,496	-0-	1,163	19,659
Miscellaneous Expenses				
Lease / Rentals	1,661	-0-	-0-	1,661
Training	18,967	-0-	-0-	18,967
Travel and meetings	-0-	-0-	3,788	3,788
Advertising/promotion media	6,474	-0-	-0-	6,474
Legal & Professional	-0-	-0-	16,489	16,489
Other	2,385	-0-	32,823	35,208
Depreciation	<u>230,862</u>	<u>4,507</u>	<u>19,033</u>	<u>254,402</u>
Total Expenses	<u>\$ 1,083,843</u>	<u>\$ 231,761</u>	<u>\$ 269,261</u>	<u>\$ 1,584,865</u>

**SCHEDULE 3**

ROSCOMMON MINI-BUS SYSTEM  
NONOPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2004

## Local Operating Grants

Tax Levy	\$ 498,070
Administrative Services - County Contribution	<u>28,709</u>

Subtotal Local Operating Grants	<u>526,779</u>
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## State of Michigan Operating Grants

Formula Operating Assistance (Act 51)	592,308
R-Tap	<u>10,192</u>

Subtotal State of Michigan Operating Grants	<u>602,500</u>
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## Federal Operating Grants

U.S. DOT Operating Grant - Section 5311	<u>153,151</u>
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State Capital Grants	<u>10,000</u>
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Interest Income	<u>14,025</u>
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Loss on Sale of Assets	<u>(1,583)</u>
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Total Nonoperating Revenues	<u><u>\$ 1,304,872</u></u>
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**SCHEDULE 4**ROSCOMMON MINI-BUS SYSTEM  
SCHEDULE OF CONTRIBUTED EQUITY  
YEAR ENDED SEPTEMBER 30, 2004

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Balance, October 1, 2003	\$ 79,006	\$ 263,605	\$ 342,611
Deduct			
Net book value of vehicles purchased with Capital Contracts sold	(4,583)	-0-	(4,583)
Depreciation on assets purchased from contributed equity	<u>(31,145)</u>	<u>(112,938)</u>	<u>(144,083)</u>
Balance, September 30, 2004	<u>\$ 43,278</u>	<u>\$ 150,667</u>	<u>\$ 193,945</u>

**SCHEDULE 5**

ROSCOMMON MINI-BUS SYSTEM  
CAPITAL CONTRACTS  
YEAR ENDED SEPTEMBER 30, 2004

Grantor: State of Michigan - Department of Transportation

Contract or Project Number:	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Current Earned</u>	<u>Amount Remaining</u>
# 99-0795	\$ 596,940	\$ 493,200	\$ -0-	\$ 103,740
# 2002-0081	10,000	-0-	10,000	-0-
# 2002-0081/Z6	126,750	-0-	-0-	126,750
# 2002-0081/Z7	<u>72,885</u>	<u>-0-</u>	<u>-0-</u>	<u>72,885</u>
	<u>\$ 806,575</u>	<u>\$ 493,200</u>	<u>\$ 10,000</u>	<u>\$ 303,375</u>

**SCHEDULE 6**

ROSCOMMON MINI-BUS SYSTEM  
EXPENSES BY CONTRACT AND GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Section 5311</u>	<u>Total</u>
Labor	\$ 679,712	\$ 679,712
Fringe benefits	311,164	311,164
Materials and supplies consumed	209,754	209,754
Utilities	27,587	27,587
Casualty and liability costs	19,659	19,659
Miscellaneous	82,587	82,587
Depreciation	<u>254,402</u>	<u>254,402</u>
Total	1,584,865	1,584,865
Less		
Ineligible Expenses	<u>186,228</u>	<u>186,228</u>
Total Eligible Expenses	<u><u>\$ 1,398,637</u></u>	<u><u>\$ 1,398,637</u></u>

**SCHEDULE 7**

ROSCOMMON MINI-BUS SYSTEM  
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2004

	2002-0081/Z5 Federal <u>Section 5311</u>	State Operating <u>Assistance</u>
Expenses		
Labor	\$ 679,712	\$ 679,712
Fringe benefits	311,164	311,164
Materials & supplies	209,754	209,754
Utilities	27,587	27,587
Casualty & liability costs	19,659	19,659
Miscellaneous	82,587	82,587
Depreciation	<u>254,402</u>	<u>254,402</u>
Total Expense	1,584,865	1,584,865
Less Ineligible Expenses		
Depreciation	172,316	172,316
R-TAP	10,192	10,192
MPTA Dues	120	120
Annual Audit Fees	<u>3,600</u>	<u>-0-</u>
Net Eligible Expenses	<u>\$ 1,398,637</u>	<u>\$ 1,402,357</u>
Regional Transportation		
Maximum Section 5311		
Reimbursement (10.95%) not to exceed \$168,458	<u>\$ 153,151</u>	
State Operating Assistance		<u>\$ 592,308</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is computed at 42.236619648% of the current eligible expenses for the year ended September 30, 2004.



ROSCOMMON MINI-BUS SYSTEM  
DETAIL OF INELIGIBLE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2004

Depreciation

Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4. Depreciation of \$82,086 was expensed on items purchased with local funds which is considered an eligible expense.

Annual Audit Fees

Any Transit Agency that expends less than \$300,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$3600 has been treated as ineligible for Section 5311 purposes.

MPTA Dues

7.4% of MPTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2004.



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

February 23, 2005

Board of Commissioners  
Roscommon County  
Roscommon, Michigan 48653

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2004, follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SCHEDULES 9 AND 10**

ROSCOMMON MINI-BUS SYSTEM  
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>	<u>Regular Passengers</u>	<u>Senior Passengers</u>	<u>Handicapper Passengers</u>	<u>Senior Handicapper Passengers</u>
DEMAND- RESPONSE						
1st Quarter	155,338	7,080	18,658	3,661	10,569	286
2nd Quarter	168,911	8,022	24,605	3,613	11,262	306
3rd Quarter	168,817	7,669	19,317	3,544	10,971	427
4th Quarter	<u>163,972</u>	<u>7,544</u>	<u>17,455</u>	<u>3,265</u>	<u>10,581</u>	<u>470</u>
TOTAL OPERATIONS	<u><u>657,038</u></u>	<u><u>30,315</u></u>	<u><u>80,035</u></u>	<u><u>14,083</u></u>	<u><u>43,383</u></u>	<u><u>1,489</u></u>

See Auditors' Disclaimer on Preceding Page.



# Anderson & Decker, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 23, 2005

Board of Commissioners  
Roscommon County  
Roscommon, MI 48653

Dear Board:

We have audited the financial statements of the Roscommon Mini-Bus System for the year ended September 30, 2004, and issued our report thereon dated February 23, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Roscommon Mini-Bus System's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mini-Bus System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and the Board of Commissioners, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James A. Decker".

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS